



# CITY COUNCIL RETREAT

November 20, 2004

## FISCAL OUTLOOK

FY 2006 Operating Budget and

FY 2006 to FY 2011 Capital  
Improvement Program

### Chapter II

(Revised November 22, 2004)

# FY06 Personnel Cost Drivers

- COLA and Merit Increases
- Health Insurance for Current Employees
- Retiree Health Insurance
- Supplemental Retirement Plan Cost Increases
- Pay Benchmark Study

# FY06 COLA and Merit Increases

- Cost of each 1% COLA increase
  - \$1.8 million – City
  - \$1.3 million – Schools
  - CPI approximately 3%
- Cost of Merit increases
  - \$3.4 million – City
  - \$3.4 million - Schools

# FY06 Health Insurance for Current Employees

- Pursuing administrative consortium between City and Schools
- Lowers rate of increase from 8% to 6.9% for the City
  - City estimated cost increase = \$1.0 million
- Lowers rate of increase from 8% to 4.0% for the Schools
  - Schools estimated cost increase = \$0.4 million
- Overall savings = \$0.6 million

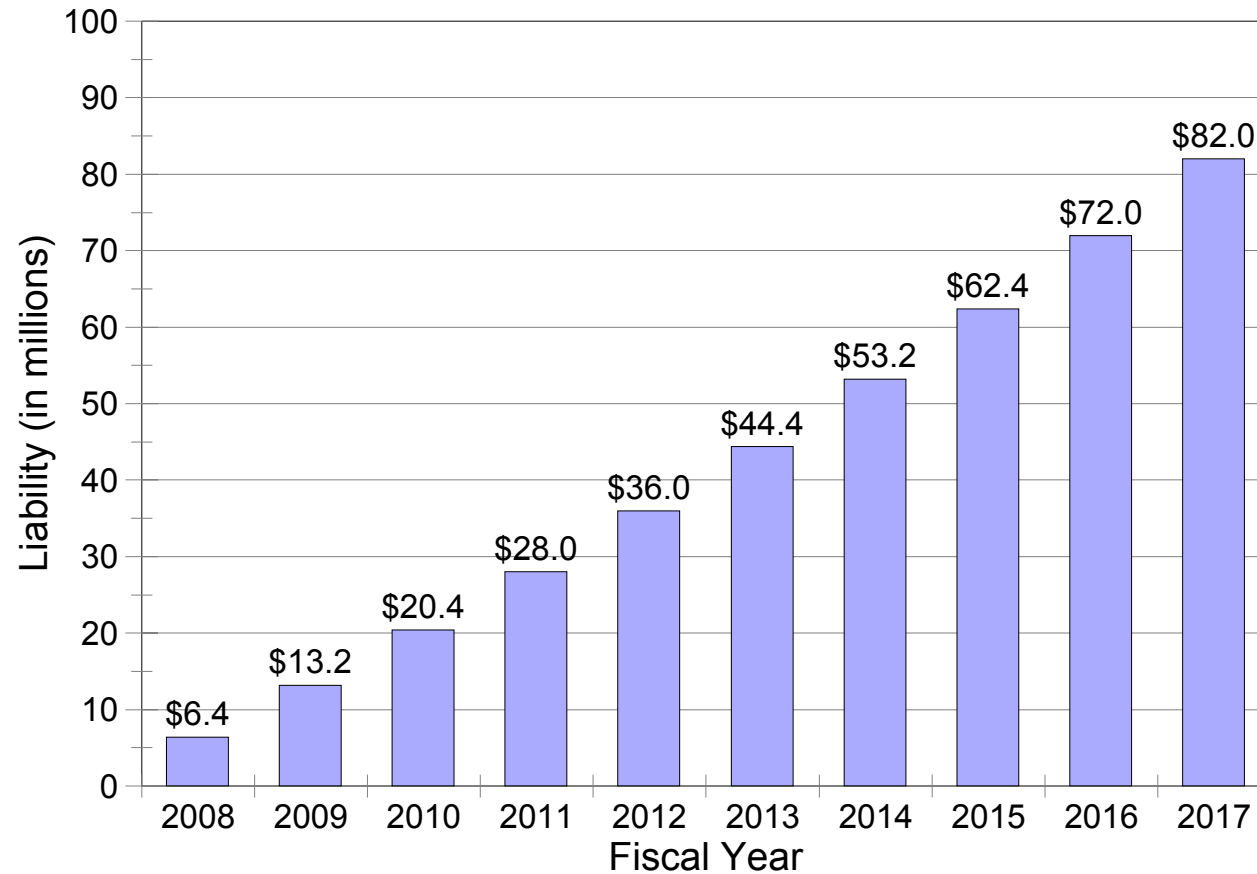
# Retiree Health Insurance Premiums

- \$240/month or \$2,880/year = current maximum City reimbursement
- New GASB accounting rule pending
- Will measure long-term liability to the City like a pension benefit liability
- Liability gradually will be added to City's financial statements

# Estimated Future Liability of Retiree Healthcare Benefits

- Actuarial estimate
  - Current retirees = \$25.9 million
  - Future retirees = \$56.2 million
  - Total = \$82.1 million
- Including this liability will reduce current City net assets of \$219.5 million by 37%
- School retiree liability not yet calculated
- Rating agencies impact unclear

# Recognition of Liability of Retiree Healthcare Benefits



# Retirement Plan Costs

FY 2006	City – General Employees
VRS (basic)	6.50%
Supplemental	5.25%
Total	11.75%

- Based on latest actuarial calculations, City supplemental retirement rate increase of .75% = additional \$0.8M



# Pay Benchmark Study

- City compensation policy calls for a review of City pay schedule every five years
- Maintains competitive position with five other local comparator jurisdictions
- Cost estimate (\$1 million) to implement results

# FY06 Expenditure Changes

- Mandatory Adjustments to Base Supplemental Requests
- Discretionary Supplemental Requests
- Expenditure Reductions for Efficiency/Service Reductions

# Mandatory Adjustments to Base Supplemental Requests

- Effects of legal mandates
- Effects of implementing prior Council decisions
- Uncontrollable cost increases necessary to maintain current service levels

# Examples of Mandatory Adjustments to Base

- WMATA Operating
- DASH
- Office Space Rental/Maintenance Costs
- Gasoline/Fuel
- Utility Costs

# Examples of Mandatory Adjustments to Base (cont'd)

- Increase in Grant Local Cash Match requirements
- Public Safety-related Costs
- Food/Medical Costs for Jail Inmates
- Workers' Compensation Costs

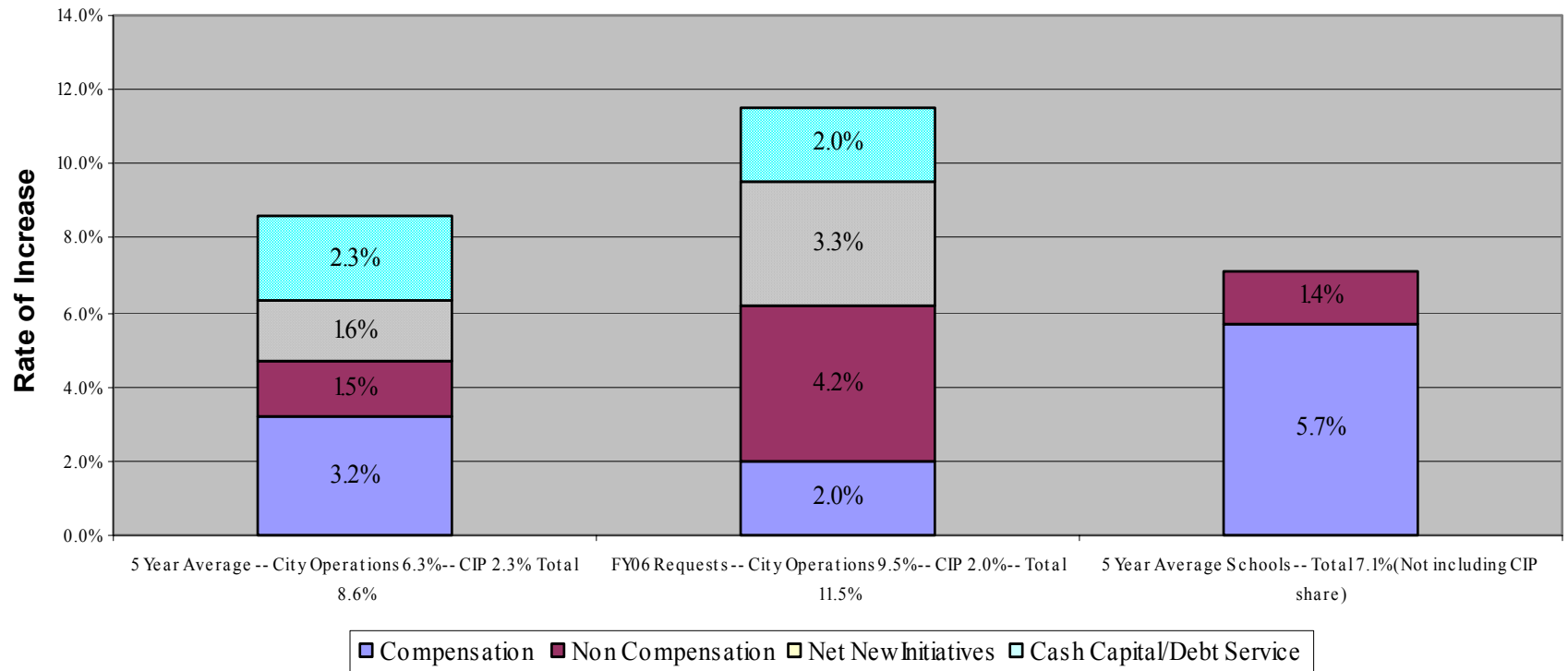
# Discretionary Supplemental Requests

- Use Strategic Plan to sort through requests and assign priorities
- Strategic plan-related items to be favored
- Show what is to be accomplished by any proposed additional spending

# Expenditure Reductions

- Guidance to Departments to submit options for one percent reductions
  - Efficiencies
  - Marginal Service Reductions
- City Manager will be sorting through which options are realistic to propose
- Likely less than 1% will be proposed in total
- Service/program reductions may be necessary

**General Fund Budget Rates of Increase**  
**5 Year Average Rates of Increase (FY 2001 to 2005)**  
**Compared to FY 2006 Requested Rate of Increase**





# \$7.6M for Compensation Adjustments to Base

- \$3.4M – Merit Pay
  - \$3.6M – COLA (City Only if 2%)
  - \$1.0M – Health Insurance City Paid Premiums
  - \$1.0M – Implementation of Pay Benchmark Study
  - \$0.8M – Supplemental Retirement Rate Increase
  - -\$3.8M – Vacancy Savings
- \$6.0 M – Total

# \$12.8M for Non-Compensation

- \$9.6M – City Department Base Requests
- \$0.8M – Insurance, Workers' Compensation and Outside Legal Expenses
- \$1.8M – WMATA Operations
- \$0.6M – DASH Operations
- \$12.8M = Total

# \$6.1M for CIP Costs under Approved/Amended CIP

- \$4.74M – Debt Service (City and Schools)
- \$1.34M+ – Cash Capital (City and Schools)

\$6.1M+ = Total

# Summary of FY 2006 Expenditure Requests

\$ in Millions	Expenditure
\$6.0	City Compensation (including 2% COLA)
\$9.6	City Dept Requests – Base
\$0.8	Insurance, etc.
\$2.4	WMATA, DASH
\$6.1+	Debt Service/Cash Capital
\$9.9	City Dept Requests – Supplemental
\$2.6	Schools' COLA (if 2%)
TBD	Schools' Operations
\$37.4	Total Request

# Capital Improvement Program Issues

# Baseline of Approved FY 2005 – 2010 CIP Projects (as amended)

Fiscal Year	Amended CIP Total of Planned, New, City-funded projects
2005	\$88.0
2006	\$61.7
2007	\$45.9
2008	\$87.9
2009	\$18.0
2010	\$16.7
Total	\$318.2

# TC Williams/Open Space Amendments

- \$2.5 million a year added for TC (2005 – 2008)  
\$10 million in total
- To be paid for by \$2.5M increase in cash capital  
paid from education contingent set-aside
- \$10 million borrowed for open space in 2005
- Open Space debt service paid from 1 cent real  
estate tax rate dedicated to open space

# 2005 – 2010 Amended CIP Impact on Operating Budget (\$ in millions)

	FY 2005	FY 2006	Change
Debt Service	\$23.1	\$27.8	\$4.7
Cash Capital	\$21.4	\$22.7	\$1.3
Total	\$44.5	\$50.5	\$6.0

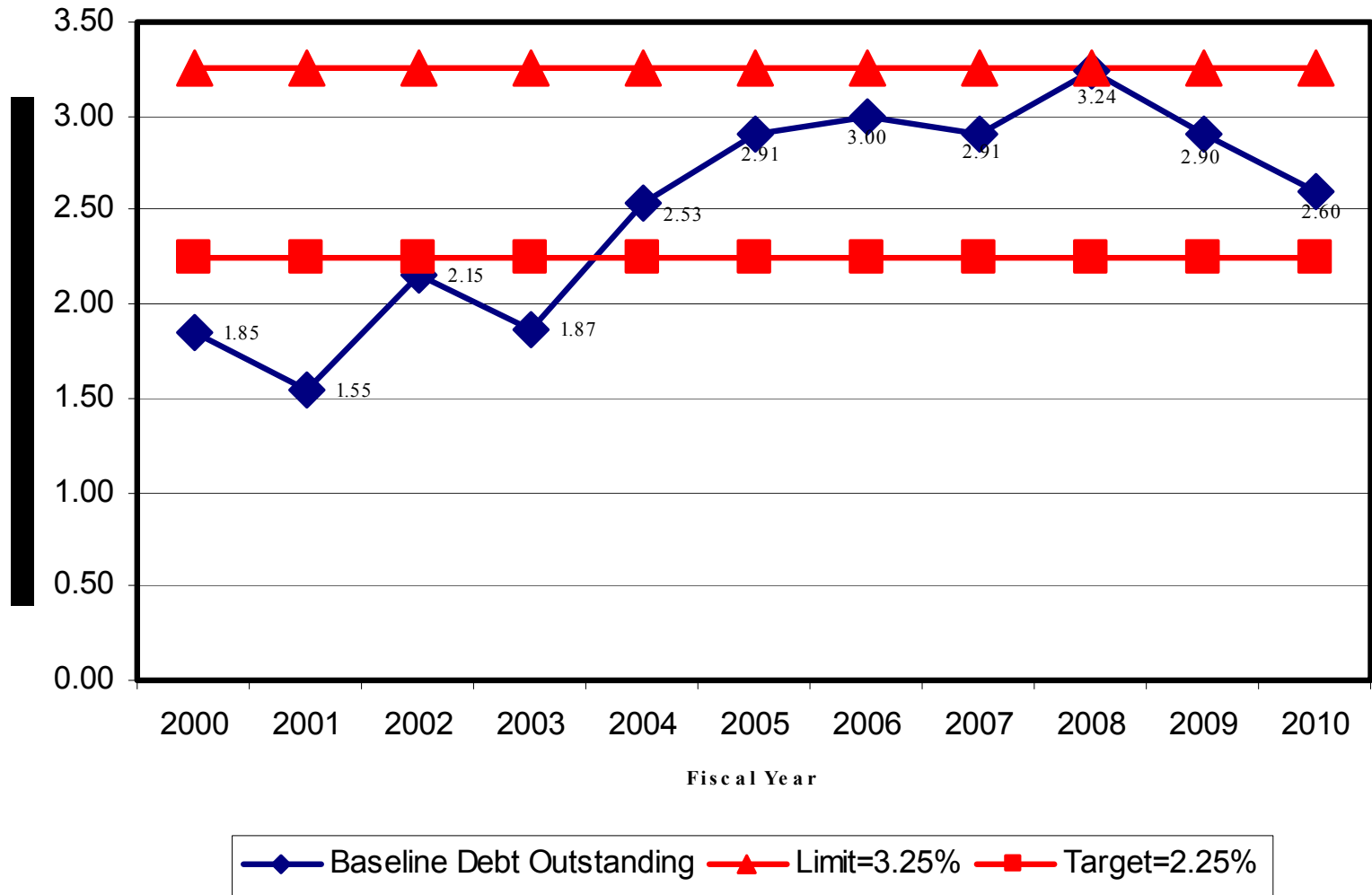


# Other CIP Needs

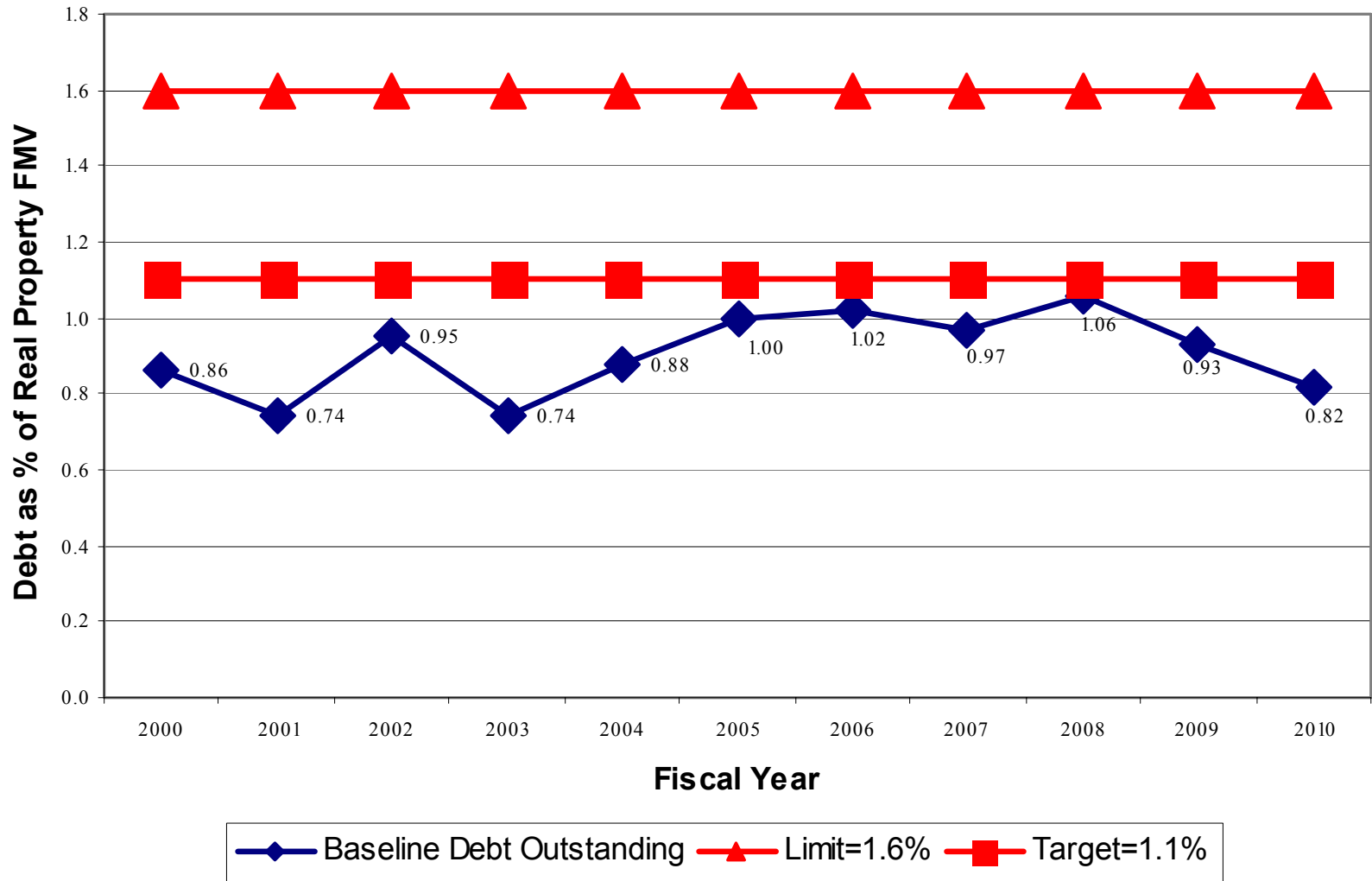
- WMATA Metro Matters
- DASH Bus Fleet Expansion
- Streets
- Sewers
- Information Technology Plan
- Community Development
- Recreation and Parks
- Public Buildings

# Debt Policy Guidelines

## Outstanding Debt Per Capita as Percent of Per Capita Income



## Outstanding Debt as Percentage of Fair Market Value of Real Property



# Recommendations to Revise Guidelines

- Comparisons with other AAA jurisdictions
- Will make recommendations for change in conjunction with proposed CIP

# Budget Schedule

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- Budget Presentation – March 8th
- City Council Adoption – May 2nd
- Changes
  - Additional City Council work session
  - Earlier presentation of BFAAC report
- Coordination with School Board
  - December 6<sup>th</sup> Joint Session
  - April Joint Session

# Two-Year Operating Budget Pilot Study

- Fire, General Services
- FY 2007 Discretionary Supplementals recommended by City Manager to be presented as informational items to City Council in proposed FY 2006 budget
- Expansion of program in FY 2007 as warranted



# CIP Two-Year Focus

- CIP presented to City Council will cover 6 years (budget year + 5 years)
- Intense focus on FY 2007, as well as FY 2006
- CIP internal reviews for next year will focus on changes in FY 2007 only for limited reasons
- Next major revision to CIP in FY 2008 budget cycle